

House File 668

HOUSE FILE _____
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HF 157)

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act creating a university-based research utilization program,
2 providing tax credits, and making appropriations.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
4 TLSB 1937HZ 80
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1 1 Section 1. NEW SECTION. 262B.7 FUNDING.
1 2 There is annually appropriated from the general fund of the
1 3 state to the state board of regents forty-five thousand
1 4 dollars for purposes of providing a single point of contact to
1 5 assist in the implementation of this chapter.
1 6 Sec. 2. NEW SECTION. 262B.11 UNIVERSITY-BASED RESEARCH
1 7 UTILIZATION PROGRAM.
1 8 1. The department of economic development shall establish
1 9 and administer a university-based research utilization program
1 10 for purposes of encouraging the utilization of university-
1 11 based research, primarily in the area of high technology, in
1 12 new or existing businesses. The program shall include the
1 13 three universities under the control of the state board of
1 14 regents and all accredited private universities located in the
1 15 state.
1 16 2. A new or existing business that utilizes a technology
1 17 developed by an employee at a university under the control of
1 18 the state board of regents may apply to the department of
1 19 economic development for approval to participate in the
1 20 university-based research utilization program. The department
1 21 shall approve an applicant if the applicant meets all of the
1 22 following criteria:
1 23 a. The applicant utilizes a technology developed by an
1 24 employee at a university under the control of the state board
1 25 of regents, provided that the technology has received a patent
1 26 after the effective date of this Act. If the applicant has
1 27 been in existence more than one year prior to applying, the
1 28 applicant shall organize a separate company to utilize the
1 29 technology. For purposes of this section, the separate
1 30 company shall be considered the applicant and, if approved,
1 31 the approved business.
1 32 b. The applicant develops a five-year business plan
1 33 approved by the department. The plan shall include
1 34 information concerning the applicant's Iowa employment goals
1 35 and projected impact on the Iowa economy. The department
2 1 shall only approve plans showing sufficient potential impact
2 2 on Iowa employment and economic development.
2 3 c. The applicant meets a minimum-size business standard
2 4 determined by the department.
2 5 d. The applicant provides annual reports to the department
2 6 that include employment statistics for the applicant and the
2 7 total taxable wages paid to Iowa employees and reported to the
2 8 department of revenue and finance pursuant to section 422.16.
2 9 3. A business approved under the program and the
2 10 university employee responsible for the development of the
2 11 technology utilized by the approved business shall be eligible
2 12 for a tax credit. The credit shall be allowed against the
2 13 taxes imposed in chapter 422, divisions II and III. An
2 14 individual may claim a tax credit under this section of a
2 15 partnership, limited liability company, S corporation, estate,
2 16 or trust electing to have income taxed directly to the
2 17 individual. The amount claimed by the individual shall be
2 18 based upon the pro rata share of the individual's earnings
2 19 from the partnership, limited liability company, S
2 20 corporation, estate, or trust. A tax credit shall not be
2 21 claimed under this subsection unless a tax credit certificate
2 22 issued by the department of economic development is attached

2 23 to the taxpayer's tax return for the tax year for which the
2 24 tax credit is claimed. The amount of a tax credit allowed
2 25 under this subsection shall equal the amount listed on a tax
2 26 credit certificate issued by the department of economic
2 27 development pursuant to subsection 4. A tax credit
2 28 certificate shall not be transferable. Any tax credit in
2 29 excess of the taxpayer's liability for the tax year may be
2 30 credited to the taxpayer's tax liability for the following
2 31 five years or until depleted, whichever occurs first. A tax
2 32 credit shall not be carried back to a tax year prior to the
2 33 tax year in which the taxpayer redeems the tax credit.

2 34 4. For the five tax years following the tax year in which
2 35 a business is approved under the program, the department of
3 1 revenue and finance shall provide the department of economic
3 2 development with information required by the department of
3 3 economic development from each tax return filed by the
3 4 approved business. Upon receiving the tax return-related
3 5 information, the department of economic development shall do
3 6 all of the following:

3 7 a. Review the information provided by the department of
3 8 revenue and finance pursuant to this subsection and the annual
3 9 report submitted by the applicant pursuant to subsection 2,
3 10 paragraph "d". If the department determines that the business
3 11 activities of the applicant are not providing the benefits to
3 12 Iowa employment and economic development projected in the
3 13 applicant's approved five-year business plan, the department
3 14 shall not issue tax credit certificates for that year to the
3 15 applicant or university employee and shall determine any
3 16 related university share to be equal to zero for that year.

3 17 b. Effective for the fiscal year beginning July 1, 2004,
3 18 and for subsequent fiscal years, issue a tax credit
3 19 certificate to the approved business and the university
3 20 employee responsible for the development of the technology
3 21 utilized by the approved business in an amount determined
3 22 pursuant to subsection 5. A tax credit certificate shall
3 23 contain the taxpayer's name, address, tax identification
3 24 number, the amount of the tax credit, and other information
3 25 required by the department of revenue and finance.

3 26 c. (1) Determine the university share which is equal to
3 27 the value of thirty percent of the tax liability of the
3 28 approved business for purposes of making an appropriation
3 29 pursuant to subsection 7 to the university where the
3 30 technology utilized by the approved business was developed. A
3 31 university share shall not exceed two hundred twenty-five
3 32 thousand dollars per year per technology utilized. For each
3 33 technology utilized, the aggregate university share over a
3 34 five-year period shall not exceed six hundred thousand
3 35 dollars.

4 1 (2) The department shall maintain records for each
4 2 university during each fiscal year regarding the university
4 3 share each university is entitled to receive through the
4 4 appropriation in subsection 7. A university shall be entitled
4 5 to receive the total university share for that particular
4 6 university during the previous fiscal year.

4 7 d. For the fiscal year beginning July 1, 2004, not more
4 8 than two million dollars worth of certificates shall be issued
4 9 pursuant to paragraph "b". For the fiscal year beginning July
4 10 1, 2005, and every fiscal year thereafter, not more than ten
4 11 million dollars worth of certificates shall be issued pursuant
4 12 to paragraph "b".

4 13 5. The tax credit certificates issued by the department
4 14 for each of the five years following the tax year in which the
4 15 business is approved under the program shall be for the
4 16 following amounts:

4 17 a. For the approved business, the value of the tax credit
4 18 certificate shall equal thirty percent of the tax liability of
4 19 the approved business. The value of a certificate issued to
4 20 an approved business shall not exceed two hundred twenty-five
4 21 thousand dollars. The total aggregate value of certificates
4 22 issued over a five-year period to an approved business shall
4 23 not exceed six hundred thousand dollars.

4 24 b. For the university employee responsible for the
4 25 development of the technology utilized by the approved
4 26 business, the value of the tax credit certificate shall equal
4 27 ten percent of the tax liability of the approved business. If
4 28 more than one employee is responsible for the development of
4 29 the technology, the value equal to ten percent of the tax
4 30 liability of the approved business shall be divided equally
4 31 and individual tax credit certificates shall be issued to each
4 32 employee responsible for the development of the technology.
4 33 Each year, the total value of a certificate or certificates

4 34 issued for a utilized technology shall not exceed seventy-five
4 35 thousand dollars. For each technology utilized, the total
5 1 aggregate value of certificates issued over a five-year period
5 2 to the university employee responsible for the development of
5 3 the technology shall not exceed two hundred thousand dollars.

5 4 6. The department of economic development shall notify the
5 5 department of revenue and finance when a tax credit
5 6 certificate is issued pursuant to subsection 4. The
5 7 notification shall include the name and tax identification
5 8 number appearing on any tax credit certificate.

5 9 7. On July 1 of each year, there is appropriated from the
5 10 general fund of the state to each university under the control
5 11 of the state board of regents, an amount equal to the amount
5 12 determined by the department of economic development pursuant
5 13 to subsection 4, paragraph "b", subparagraph (2).

5 14 Sec. 3. NEW SECTION. 422.11H UNIVERSITY-BASED RESEARCH
5 15 UTILIZATION PROGRAM TAX CREDIT.

5 16 The taxes imposed under this division, less the credits
5 17 allowed under sections 422.12 and 422.12B, shall be reduced by
5 18 a university-based research utilization program tax credit
5 19 authorized pursuant to section 262B.11.

5 20 Sec. 4. Section 422.33, Code 2003, is amended by adding
5 21 the following new subsection:

5 22 NEW SUBSECTION. 14. The taxes imposed under this division
5 23 shall be reduced by a university-based research utilization
5 24 program tax credit authorized pursuant to section 262B.11.

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